

LONG-TERM PARTNERSHIP PROPOSAL TERM SHEET
TENNESSEE VALLEY AUTHORITY (TVA)
FOR DISCUSSION PURPOSES ONLY
[TVA DISCUSSION DRAFT – 07-31-19]
[WORK IN PROGRESS AND UNDER DELIBERATION]
PROPRIETARY AND CONFIDENTIAL MATERIAL

THIS TERM SHEET DOES NOT CONSTITUTE A BINDING OFFER AND SHALL NOT FORM THE BASIS FOR AN AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY.

GENERAL TERMS	
Parties:	Tennessee Valley Authority (“TVA”) and [local power company] “Distributor”
Objective:	The Valley Public Power Model is unique and has an enduring legacy of improving life in the Tennessee Valley region. At present, there is an opportunity to secure the long-term success of the Valley Public Power Model by lengthening and strengthening the contractual relationship between Local Power Companies and TVA. These enhanced relationships will safeguard long-term access to the key elements of the model and can materially change the financial profile for the Valley, the benefits of which can be shared with participating Local Power Companies and consumers.
Documentation:	The transaction to be documented as an amendment (“Amendment”) under the existing Wholesale Power Contract (“WPC”) between Distributor and TVA.
Partnership Credit:	Long-term partnerships benefit TVA’s financial risk profile. Benefits will be shared with Distributor in the form of a bill credit of 3.1% of wholesale standard service demand, non-fuel energy, and grid access charges. The bill credit will start the first full billing month after signature. If notice is given, the credit will be phased out over the next 10 years in equal annual percentages.
Rate Commitment:	TVA is committed to provide Distributor power at rates as low as feasible under the Valley Public Power Model.
Full Requirements Commitment:	TVA commits to provide all the power supplied in the Distributor’s service area and Distributor commits to ensuring that all power supplied in Distributor’s service area is TVA power, unless otherwise agreed to by the Parties.
Termination Notice:	The Termination Notice under the WPC will be changed to 20 years.
Commitment to Explore Expanded Flexibility with Long-Term Partners:	<p>TVA will commit to collaborate on flexibility solutions with long-term partners for addressing customer and system needs as well as provide research value.</p> <p>TVA will commit to providing enhanced flexibility for distribution solutions between 3-5% of load by October 1, 2021, with pricing and planning considerations mutually agreeable between Distributor and TVA.</p> <p>If TVA does not fulfill this commitment, Distributor may terminate this Agreement, return 50% of Program Credits received, and revert to original termination notice.</p>

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Additional Partnership Benefits:	During the term of this Amendment, TVA may provide additional benefits to long-term partners. Distributor would be eligible to receive any such additional benefits that are applicable to it. TVA will establish a practice of strong engagement with long-term partners for strategic resource and financial planning decisions.
Rate Adjustment Protection:	In the event that TVA implements rate adjustments that increase wholesale base rates by more than 5% within the next 5 years (ending FY2024) or 10% over any 5-year period within the initial 20 year term, the Parties will endeavor to negotiate new terms for 180 days after which Distributor may reduce WPC notice provision to 10 years, which will immediately terminate this Amendment.
Events of Default:	<p><u>TVA Defaults</u> A sale or transfer of all, or substantially all, of TVA's power properties, including generation or transmission properties, to a non-public entity that results in Distributor paying higher rates that are not based on the current TVA Act.</p> <p>TVA assigns the WPC without the consent of the Distributor.</p> <p><u>Distributor Defaults</u> A sale or transfer of all, or substantially all, of Distributor's assets to any entity that results in a reduction in load served by TVA.</p> <p>Distributor sells or supplies non-TVA power, or facilitates non-TVA power being sold or supplied, to any end-use customer in Distributor's service area, without the consent of TVA.</p> <p>Distributor assigns the WPC without the consent of TVA.</p>
Remedies:	<p><u>TVA Default</u> In the event of a TVA default, TVA would pay Distributor actual and potential losses over the remaining term of the WPC due to the increased rates charged by a new power provider or as required by TVA under any new law that would be higher than those otherwise charged by TVA in accordance with the current TVA Act.</p> <p><u>Distributor Default</u> In the event of a Distributor default, Distributor would pay TVA actual and potential losses over remaining term of the WPC due to loss of TVA revenue and load due to either sale of non-TVA power to end-use customer(s) in Distributor's service area or sale or transfer of all or substantially all of Distributor's assets.</p>

ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS TERM SHEET OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS TERM SHEET SHALL BE AT SUCH PARTY'S OWN RISK. UNTIL DEFINITIVE AGREEMENT(S) HAVE BEEN EXECUTED BETWEEN OR AMONG THE PARTIES, NO PARTY SHALL HAVE ANY LEGAL OBLIGATIONS, EXPRESS OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS TERM SHEET OR IN THE COURSE OF NEGOTIATIONS. SUCH DEFINITIVE AGREEMENT(S) ARE THE ONLY DOCUMENT(S) THAT WOULD CREATE A BINDING LEGAL OBLIGATION BETWEEN OR AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER OF THIS TERM SHEET.